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ABSTRACT

Issues related to blending or consolidating services and funding to better coordinate education for exceptional students are examined in the context of educational reform and the Goals 2000 initiative. Interviews were conducted with approximately 30 federal and state officials between May 1994 and February 1995, focusing on possible barriers in law or practice based on federal statutes, rules, and regulations dealing with fiscal policy. Section 1 provides an introduction to the study, including a discussion of method, organization, and definitions. Section 2 provides a brief review of the scholarly literature on federal programs for children with disabilities and other special learning needs. Although the focus is students with disabilities, attention is also directed to issues concerning program integration and coordination for all categorical education programs for students with special needs, including general education programs. Testimony presented at hearings on the reauthorization of the Individuals with Disabilities Education Act is also examined. In section 3, types of noncategorical aid are reviewed, with attention to research findings regarding the impact of these types of federal grants on recipients. Also considered is the role of special education in two federal initiatives, schoolwide programs of Title I of the Elementary and Secondary Education Act and the Goals 2000 initiative. Finally, section 4 provides a listing of key recommendations for finetuning special education under the Individuals with Disabilities Education Act (IDEA). Overall, a consensus was reported that special education reform should be and is integrally tied to changes occurring in the entire education system. Two appendices outline the study scope and methodology and offer a brief history of federal aid to education. (Contains 72 references.) (SW)

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Consolidated Special Education Funding and Services:

A Federal Perspective

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Consolidated Special Education Funding and Services:
A Federal Perspective

Deborah A. Verstegen

Center for Special Education Finance
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The Center for Special Education Finance (CSEF) was established in October 1992 to address a comprehensive set of fiscal issues related to the delivery and support of special education services to children throughout the U.S. The Center's mission is to provide information needed by policymakers to make informed decisions regarding the provision of services to children with disabilities, and to provide opportunities for information sharing regarding critical fiscal policy issues.

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CSEF has issued a companion paper, authored by Margaret J. McLaughlin, University of Maryland: *Consolidated Special Education Funding and Services: A Local Perspective* (Policy Paper No. 5 - March 1995).

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I. Introduction

Background

The Nation is rapidly approaching the 20th anniversary of the enactment of the historic Education for All Handicapped Children Act, P.L. 94-142 (currently entitled the Individuals with Disabilities Education Act [IDEA]). Since passage of this landmark federal law, the access of children and youth with disabilities to a free and appropriate education has significantly expanded. Exceptional children and youth previously excluded from public education are now being served. There has been a general recognition and acceptance of the entitlements of children with disabilities to a free and appropriate education and an understanding that all children can learn. Procedural safeguards and due process rights for children and their parents have been enshrined in law and practice (cf., Gartner & Lipsky, 1989; NASDE, 1993). Today, over 5 million children and youth receive special education and related services across the nation under the provisions of the IDEA. This compares to 3.7 million served in 1976-77, the first year the IDEA was implemented, and represents a 39 percent increase in the number of children and youth with disabilities receiving special education and related services in elementary and secondary schools across the country (U.S. Department of Education, 1994).[1]

While much has been achieved over the past 20 years, challenges remain. Recently a "second generation" of issues has emerged that goes beyond basic entitlements to address how the quality and effectiveness of special education might be improved to better meet the requirements of the global economy and information age and more fully realize the vision of reform set forth in the original purposes of the Act. In this context, attention has turned to the

[1] Aged 0-21, served under Part B of the IDEA and Chapter 1 of the Elementary and Secondary Education Act, State Operated Programs (ESEA [SOP]), 1992-93.

environment in which special education is provided and the outcomes students with disabilities achieve. Chief among issues to be addressed are strategies to promote better alignment between special education and general education aimed at enhanced outcomes for exceptional children and youth; potential barriers in law or practice to the achievement of these goals; and the role of special education in the education reform movement and *Goals 2000* initiative.

As schools begin to address these issues, funding is often one of the first concerns that must be confronted. Fiscal policies create incentives and disincentives that shape outcomes and drive the provision of programs and services (Farrow & Tom, 1992). Although finance systems can create effective obstacles to reform, they also can be powerful tools for fostering more fully integrated learning experiences and achieving enhanced results in education for all children and at all schools. Developing or refining a strategy for a new special education finance system, therefore, requires a clear vision of what is to be accomplished and how to reach that goal. If the goal is a coherent, coordinated, comprehensive education system where all children learn together with a focus on upgraded outcomes, then related funding systems should support these objectives. The assumption is that program improvements and finance reforms work more effectively together than either would alone.

However, current federal, and many state, assistance programs for children with special learning needs, including economically disadvantaged youth, limited-English proficient students, and special education pupils, are configured as separate programs for addressing the unique needs of individual categories of students. Increasingly concerns are being expressed that these programs are fragmented from one another and from general school programs in the ways that services are provided. Some argue that this fragmentation is encouraged by the regulations of the individual categorical programs that address these students' needs—that is, the regulations that funding "supplement-not-supplant" general school aid, and the "noncommingling of funds" requirements. They call for approaches that more fully blend resources and services between special and general education systems, so that schools may achieve a more unified approach to serving all students' needs in the most appropriate setting and enhancing education results for all children and at all schools.

Purpose and Design

This paper examines issues relating to the "blending" or consolidation of services and funding for the purpose of creating greater coordination and less fragmentation aimed at enhanced results in education for exceptional children and youth, in the context of the "education reform" movement and *Goals 2000* initiative. It focuses on identifying possible barriers in law or practice to this type of program integration. Specifically, attention is directed to the federal level, including statute, and rules and regulations dealing with fiscal policy. Although the major focus of this paper is on students with disabilities, issues related to program integration and coordination pertain to all categorical education programs for students with special needs and include considerations of general education programs as well.

■ Methodology

Information for this study is based on interviews conducted with federal and state officials selected on a positional and reputational basis for the purpose of targeting issues and developing a preliminary catalogue of options for improvement. Approximately 30 interviews were completed between May 1994 and February 1995; an open-ended interview protocol was used. A review of the scholarly literature and statute augments these interviews, and testimony presented at hearings on the reauthorization of the IDEA is examined and included throughout. (See Appendix A for a more detailed discussion of the study objectives, scope, and methodology.)

■ Organization

This paper is divided into four sections. Section I provides an introduction to the study, including a discussion of method, organization, and definitions. Section II provides a brief review of the scholarly literature on federal programs for children with disabilities and other special learning needs. Attention is given to regulatory requirements for fiscal accountability that accompany these federal categorical funding streams. A critique of categorical aid follows, and interview data are presented and discussed in terms of the questions posed for the study. Topics include ways to provide flexibility and accountability within the limits of categorical funding streams including blended or consolidated service approaches. In Section III, noncategorical aid (i.e., blended funding) is reviewed, and related interview data are presented and discussed. Two federal initiatives—schoolwide projects and the *Goals 2000* initiative—are highlighted.

Finally, Section IV provides a listing of key recommendations for finetuning special education under the IDEA, based on study findings, and a summary discussion.

■ Definitions

Blended or consolidated funding and service delivery are depicted by a broad spectrum of activities that promote the appropriate integration of services from several categorical funding streams into a more unified program of schooling designed to meet the special needs of all students. Blended service approaches integrate programs and services but keep funding streams separate. Blended funding arrangements provide a more flexible use of funds by removing categorical limits or broadening categorical stipulations. Blended funding has been identified with such diverse fiscal policy mechanisms as block grants, general aid, and broadened categorical aid systems that restructure allocations and redirect resources toward a wider, more holistic set of purposes (see Council of Administrators of Special Education, 1993; Goertz, 1993; Lipsky & Gartner, 1994; National Association of State Boards of Education, 1992; Will, 1986).

Specifically, blended or consolidated funding refers to the integration of funds for the provision of a fairly broad range of services. Blended funding may mean that aid is distributed to school districts in the form of a block grant. Funds are not allocated by, or tracked to, individual categorical programs. This type of funding approach would generally be expected to lead to blended services. However, a blending of services may also be achieved *without* blending funds. This implies that separate categorical funding streams continue; at the school level individual resources, such as a resource teacher, might be jointly funded to allow the teacher to be used in a much less restrictive manner. While in practice the distinction between these two concepts may be fairly fine, a blending of services, without actually mixing funds, provides a greater assurance of fiscal accountability while allowing needed program flexibility. A conclusion of this paper is that there is generally nothing in current federal law, statute, or regulation to preclude blending services at the school level. The major barrier to this type of service integration is the broad-based *perception* in school districts across the nation that such program and service coordination is, indeed, not currently permissible or necessarily even desirable.

II. Current Federal Categorical Assistance Programs[2]

Provisions and Background[3]

Currently, the major elementary and secondary federal assistance programs for children with special learning needs are categorical grant programs. Categorical grants restrict aid to a specific "category" of the student population—such as children that are economically disadvantaged (ESEA, Title I), limited-English proficient (ESEA, Title VII) or disabled (IDEA, Part B)—or a specific "category" of high priority programs, such as science or mathematics.[3]

Participation in these categorical programs by state and local education agencies is voluntary and conditioned on programmatic and fiscal regulations that are attendant to the receipt of federal aid. Program regulations are intended to provide *target accountability* by assuring that funds are used to serve pupils with the greatest needs addressed by the program, and *fiscal accountability* by assuring that funds provide a net increase in resources for these pupils and do not replace state and local funds for the same purpose.[4]

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[2] This section draws on W. C. Riddle (1991, July 9).

[3] Categorical aid programs are generally either (1) formula grants—where funds are distributed based on factors specified in statute or regulation (e.g., the IDEA), or (2) project grants, where funds are awarded based on individual proposals to the federal administering agency (e.g. ESEA, Title VII).

[4] Three common fiscal accountability requirements include: (1) *supplement-not-supplant*—federal aid must supplement the level of state and local funds expended for the target population, such as children with disabilities, and in no case supplant such state and local funds; (2) *maintenance of effort*—funds from the specific program, such as special education, cannot be used to reduce the level of expenditures from that program made by the local education agency (LEA), or from state or local funds, below the level of such expenditures for the fiscal year prior to the fiscal year in which the LEA seeks funds; (3) *comparability*—in schools or jurisdictions receiving aid, there must be at least comparable services that are provided compared to other schools within the jurisdiction that are not receiving federal funds. cf., Individuals with

Federal categorical programs also include other requirements, such as conducting assessments of student needs, evaluating and reporting program results, involving parents in planning and implementing programs, and serving students in private schools. General regulations also accompany federal assistance programs that apply to all recipients. Civil rights regulations prohibit discrimination against individuals on the basis of race, ethnicity, national origin, sex, or disability; and other federal regulations apply to local educational agencies (LEAs) in their role as employers. Grantees that violate these regulations face possible sanctions such as having to repay funds to the federal government or being prohibited from receiving further federal grants.

However, state and local education agencies are given wide discretion in other aspects of using categorical federal assistance. These include the grade levels served; the places services are provided; and instructional content, techniques, and materials. Exceptions are few, such as requirements that bilingual education aid is used for bilingual education instruction or special alternative instructional programs, and that a continuum of placements is provided for children with disabilities, and they are taught in the "least restrictive environment."[5]

A perennial issue concerning categorical aid relates to striking the appropriate balance between identified federal interests and local desires for flexibility. Therefore, concerns about federal education programs relate broadly to the categorical nature of funding pupils and programs. More specifically, these concerns relate to unfunded mandates (the obligation to provide special services for which no federal funds are provided or funds are inadequate); to prohibitions against commingling of funds under different federal programs with each other or with state and local funding; and to restrictions on the use of materials, equipment, and personnel. As discussed earlier, the requirements that accompany federal aid are intended to assure that funds are spent for intended purposes and reach targeted students, and add to and do not substitute for state and local funds that would have been provided for these purposes in their absence. Although the categorical approach to funding has been shown to be an

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Disabilities Education Act—supplement not supplant [for state plans] Sec. 613, (a)(9)(B); [for local plans] Sec. 614(a)(2)(B)(ii); maintenance of effort--Sec. 614 (f); comparability—Sec. 614 (a)(2)(C); excess costs—Sec. 614(a)(2)(B)(i).

[5] The IDEA provisions state that "to the maximum extent appropriate...children with disabilities are educated with children who are not disabled, and that special classes, separate schooling or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily" (Sec. 612 (B)(5)).

efficient approach for targeting scarce resources and providing relatively uniform access to services across America's highly decentralized education system (cf., Levin, 1982; Tsang & Levin, 1983), this method of financing is sometimes also seen as having undesirable and unintended effects.

These unintended effects may include (a) the fragmentation of services to children with special needs that often defies efforts to coordinate them with the core instructional program; (b) a crisis orientation that fails to address problems when they are most responsive to remediation (i.e., before they reach the level of severity needed to qualify for services); (c) a piecemeal approach to the needs of children when a more holistic and comprehensive focus might be more effective, especially for children with multiple needs; (d) the isolation of children in schools from their classmates, whether or not this is explicitly required by the legislation or is the most effective instructional technique; and (e) the creation of parallel systems of education for multiple categories of special needs students and their peers in general education programs.

Some of these problems with categorical programs may be the result of misunderstandings of the requirements of federal statutes and regulations, or state and local interpretations of them, coupled with efforts of recipients to avoid federal audit exceptions. Others may be inevitable results of efforts to assure that federal aid is focused on targeted groups of students and addresses unmet needs at subnational levels of government (cf., Levin, 1982; Riddle, 1991). Still others may reflect the effects of tradeoffs among the competing public policy goals of equity, choice (flexibility), and accountability.

Critique of Categorical Aid Programs

Since enactment of the major elementary and secondary federal education programs for special needs students (including limited-English proficient, exceptional, and economically disadvantaged), categorical programs have proliferated, driven by changing demographics and deteriorating conditions of children (see also, Fuhrman, 1993).

Currently aid for children with special learning needs and their families is scattered across multiple agencies, departments, and offices, and consists of hundreds of major federal, state, and local programs and services. For example, in FY 1989 the federal government spent approximately $59.5 billion on programs and services for children, which supported at least 340 programs administered by offices and agencies in 11 cabinet level departments. State and

local governments spent approximately 31 percent of their budgets on childrens' programs and services, similarly dispersed across numerous state and municipal agencies and offices (National Commission on Children [NCC], 1991). In California, over 160 programs residing in 35 agencies and 7 departments exist to serve children and youth, an array that is not unique to that state (Kirst & McLaughlin, 1990; Kirst, 1991, 1993; Verstegen, 1994).

Each program originates from a separate law, eligibility requirements and guidelines vary, funding streams and accountability requirements differ, and services address only one of the many needs that children and their families are experiencing. In addition, services are often provided by a separate bureau or administrative office, which delivers narrowly defined assistance to a narrowly defined population with little collaboration across functional lines. This structure for providing resources and services has been criticized for contributing to system fragmentation, paperwork burdens, uncoordinated services, and costly duplication of programs in a time of limited resources across all levels of government. For families and children with multiple and severe problems, the present system fails to provide the broad array of high quality and comprehensive services and supports that (a) seek to prevent, as well as treat, their problems; and (b) recognize the interrelationships within their education programs or across agencies in education, health, social service, child welfare, employment, and training (NCC, 1991).

What is lost is a focus on the interrelationships *between* multiple problems for any particular individual and family, the continuity of care for children and youth as they move from one service provider to another (e.g., from institutionalization to local schools, or from schools to detention in a juvenile facility), and collaboration among programs provided in schools and other agencies to deal specifically with the multiple needs of a set of families and their children (Hodgkinson, 1989; Kirst, 1992; Kirst & McLaughlin, 1990; Verstegen, 1994).

Study Findings Related to Categorical Aid and Children with Special Needs

Given the criticisms of categorical aid programs, several questions come to the forefront. Are greater coordination and less fragmentation between programs for children with special needs and their peers in general education possible, given the categorical nature of these funding streams? What about these categorical programs makes them especially difficult to coordinate? Are there specific

provisions, rules, or regulations that serve as obstacles to reform and to meeting the fundamental objectives contained in statute? How do financial stipulations relate to these questions? Can barriers to better integrated programs and enhanced results in education be scaled back, once identified? Should specific provisions be incorporated in such categorical aid programs as the IDEA to actively encourage blended funding and/or service provision? The persons interviewed for this paper responded to questions like these. Their responses are arranged by question and summarized below.

■ Barriers to Achieving Coordinated Programs and Services

Are there specific provisions in the IDEA that serve as barriers to achieving more coordinated programs for children with disabilities, and their peers in other federal programs and in general education classrooms?

Interviewees, scholars, policymakers, and others agree that the Individuals with Disabilities Education Act has been a tremendous success over the past two decades. Overall, it is working as intended, enjoys strong bipartisan support, and, in many ways, fosters coordination between special and general education through many of its statutory provisions. The IDEA specifically calls for educational programs for children with disabilities to be provided in the "least restrictive setting." The law also states that

> to the maximum extent appropriate...children with disabilities are to be educated with children who are not disabled, and that special classes, separate schooling or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily (Sec. 612 (b)(5)).

As one person active in the field concluded, "special education is the easiest to integrate into the general class setting [of all federal categorical programs]. *It's in the law.*" Another pointed out that "...there is no need to amend the IDEA to allow for greater integration among students. Nothing precludes special education students from being educated in the regular classroom [under current law]."

The IDEA was also credited with providing needed local flexibility and guarding against a "one size fits all" mentality by insuring that the appropriate placement for children with disabilities occurs on an individual-by-individual basis, through the Individual Education Program (IEP) process. Interviewees also cited additional regulations that enhanced this flexibility, such as the "continuum of placements" provision, which has also been endorsed by a large majority of national education and advocacy organizations (Verstegen & Martin, 1995).

However, respondents cautioned that it was essential to ensure that appropriate supports and supplementary aids are available to exceptional children and youth when they receive services in the general classroom setting (see also Baines & Baines, 1994). These sentiments were captured in the following comment: "The IDEA is OK—They got it right the first time. Data show that the special education population is so diverse that what needs to be stressed is the 'I' in the 'IEP'—that is, individual plans are needed to match individual strengths and weaknesses. If there is one *big* problem that is surfacing with respect to special education, it is money. Under an inclusionary scheme, if they label the kid and then do nothing but put them in the regular class without supports, they get to keep the money."

Importantly, interviewees pointed out that the problems of separation and lack of programmatic coordination for children in special education experienced by many districts and schools often occur because "many people read into current statute the way they are used to practicing." Therefore, the overall sense of respondents was that *fragmentation and segregation were "implementation problems rather than statutory problems."*

Nonetheless, interviewees said that local districts attempting to implement more coordinated and inclusionary schemes are faced with a ripple effect in law and regulation. This includes not only federal policies, but also state and local policies, which are usually more restrictive at each level and can operate as "barriers to inclusion." As one state administrator put it, "Federal policies are included in state statutes, state board of education regulations and code, and local board policies. There may be more restriction at each level, in an effort to meet the letter of the law...." Another administrator noted that "state policy requires special education teachers to only teach special education kids." The dilemma becomes "when you mix Title I students and pupils funded under the IDEA for instructional services in the general classroom how do you document time and effort" for accountability purposes? This is discussed further below.

How do fiscal accountability provisions of the IDEA provide incentives or disincentives for the appropriate integration of special education students into general education classes? What options are available for providing more flexibility while maintaining accountability?

Interviewees generally concurred that chief obstacles to greater coordination and integration between programs for children in general and special education are incentives and disincentives associated with finances, including the rules and regulations that accompany categorical funding streams.[6]

Research has consistently pointed to the complexity of this issue; and attempts to identify possible barriers to greater programmatic integration and coordination have highlighted a number of factors—including leadership variables, attitudinal barriers, architectural barriers, institutional barriers, legal decisions,[7] inadequate funding, differing philosophies, and local practices. However, many argue that the fiscal accountability requirements of categorical aid programs have been a major factor resulting in the separation of children receiving services under federal programs (i.e., Title I, Title VII,[8] and the IDEA) from their peers in the general classroom. They believe that in an effort to simplify compliance with the "supplement-not- supplant" and "noncommingling" of funds fiscal accountability requirements, many states and localities have not mingled children either and have segregated children's services according to funding channels. Interviewees report that administrators of these categorical aid programs are sometimes hesitant to collaborate with general education programs, other federal programs, or outside agencies due to these regulatory requirements and "turf" questions.

One example of this is the widespread use of "pull-out" programs under Title I, Title VII, and the IDEA, where children are removed from the general classroom for a portion of the day to receive instruction from a specialist teacher whose salary is paid by the specific federal program, and to use materials and

[6] For a discussion of incentives for more restrictive placements found in state special education aid formulas, see Parrish (1994).

[7] For example, in *Barnet v. Fairfax* (721 F. Supp. 757, 1989) the court held that a centralized program for a deaf student that was not located in his base school, provided a free, appropriate education that did not discriminate on the basis of the student's handicap, even if the student wanted to attend his base school.

[8] P.L. 103-382, The Elementary and Secondary Education Act, Title I-compensatory education; Title VII-bilingual education.

equipment purchased by that federal program. Using this instructional approach for Title I programs, the Title I program clearly "supplements and does not supplant" general classroom instruction. Title I funds pay for the salary of a teacher who only instructs Title I students, while state and local funds are used for other services that are comparable for the Title I and non-Title I students. A neat and clear "audit trail" is therefore established for the Title I funds and services (Riddle, 1992).

Whether caused by federal requirements, local choices, or both, the separation of categorical and core instructional programs—while allowing for intensely individualized instruction in smaller classes and generally a slower paced and more skills-oriented curriculum—can adversely effect services received by children with special learning needs. "Pull-outs" have been viewed by some as stigmatizing to students, resulting in a separate curriculum that is not linked to the core curriculum used in the classroom. "Pull-outs" have also been seen as promoting a tendency by some teachers to have lower expectations and to feel less responsible for the learning of their "pull-out" students, while not always providing long-term academic gains for children[9] or educational benefits that result from heterogeneity in student composition (cf., Allington & McGill-Franzen, 1989; Anderson & Pelicer, 1990; Carlberg & Kavale, 1980; Gersten & Woodward, 1990; Reynolds, Wang, & Walberg, 1987; Tsang & Levin, 1983). The aggregate effects of multiple categorical aid programs can exacerbate these problems, as has been recognized for some time (cf., Kimbrough & Hill, 1983; Meyers, Gelzheiser, Yelich, & Gallagher 1990).[10] According to one study:

> the instructional day [is] so fragmented that the students were out of class while the classroom teacher presented the state-required curriculum. By grade 5, most of the migrant Hispanic students in this district had never had a class in either science or social studies.... Teachers in turn have so many students pulled out of

[9] Research has provided mixed results on this question. For example, a frequently cited meta-analysis of 50 studies examining student achievement and placements found that special classes were significantly inferior to regular class placements for students with below average IQs, and significantly superior to regular classes for children with behavioral impairments and learning disabilities (Carlberg & Kavale, 1980).

[10] Aggregate effects of multiple programs have been identified as: (1) children miss core classroom instruction because of pullouts; (2) conflicts between core and categorical programs lead to staff tensions; (3) categorical programs require excessive administrative time; (4) categorical programs result in minority student segregation; (5) core and categorical programs are incompatible; (6) the categorical program replaces the core program; (7) there may be no net increase in supplemental instructional time, in contrast to the apparent intent of "supplement-not-supplant" provisions; and (8) categorical programs may contribute to the loss of general instructional time in which students are engaged in learning.

> their classrooms for special programs that, in some schools, the classroom teacher had the whole class for only 1½ hours per day (Rotberg, 1981, p. 3).

For children with disabilities, the segregation and fragmentation of education programs and services are especially acute. Cross-time, cumulative placement data show that the continuum of placements has been weighted toward segregated, self-contained settings, with little change over time (cf., ASCD, 1994; Blackman, 1989; Danielson & Bellamy, 1989). For example, in 1991-92, although 94 percent of children with disabilities attended public schools, only about one-third received their education in the general classroom setting full-time.[11] Two-thirds were served in resource rooms (which often are located in the neighborhood public school) or in segregated, self-contained settings—including separate classes, schools, or residential facilities (see Table 1 and Figure 1).

Often more severe disability categories are linked to more restrictive settings;[12] and patterns of overrepresentation and segregation in special education programs prevail, particularly for African Americans, males, and linguistic minorities (Artiles & Trent, n.d.; Harry, 1992; Meier, Stewart & England, 1989; Reschly, 1987, 1988; U.S. Department of Education, 1992a, 1994).

■ A Blended Service Approach—One Answer to Better Coordination and Integration

The question that naturally arises is why do students with disabilities continue to be educated in separate classrooms and facilities more than 20 years after Congress passed legislation to provide special education programs and services in the least restrictive setting, and despite federal efforts aimed at the reform and integration of programs for all children, including those receiving services in special education, vocational education, bilingual education, and compensatory education (cf., Will, 1986; Heumann, 1994)?

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[11] Full-time, regular class placement is defined as receiving services in the general education classroom at least 80 percent of the time; resource room placements require the education of exceptional children in the general classroom between 40 to 79 percent of the time (U.S. Department of Education, 1992a, p. 21).

[12] The percentage of exceptional children, by disability category, educated full time in the general classroom was, on average: 6.63 percent of children with multiple disabilities, 7.39 percent with mental retardation, 10.56 percent with deaf-blindness, 22.5 percent with specific learning disabilities, 26.86 percent with hearing impairments, and 29.57 percent with orthopedic impairments. (Ages 6-21, IDEA, Part B and Chapter 1 (SOP). (U.S. Department of Education, 1993, Table AB2.)

Table 1
Number and Percent of Children, Ages 3-21, Served in Different Educational Environments, 1980-81, 1986-87, and 1990-91, U.S. and Insular Areas[a]

- Full-time placement in regular classes increased 6.54 percent (27.20 to 33.74 percent) between 1986-87 and 1990-91.
- In 1990-91, the percentage of children with disabilities educated in the general class full-time *or* part of the day, was 68.37 percent; it was 68.10 percent in 1986-87.
- Separate class placements were 25.24 percent in 1990-91; they were 24.88 percent in 1986-87.
- Separate school placements increased, from 5.82 percent in 1980-81, to 6.40 percent in 1990-91.
- Homebound-hospital instruction fell, from 1.36 percent to 0.67 percent, in 1980-81 and 1990-91, respectively.

	School Year		
Setting	**1980-81[b]**	**1986-87**	**1990-91**
Regular Class	na	1,190,502	1,596,372
		(27.20)	(33.74)
Resource Room	na	1,789,946	1,638,786
		(40.90)	(34.63)
Separate Class	na	1,088,960	1,194,012
		(24.88)	(25.24)
Separate School	251,117	294,438	302,707
	(5.82)	(6.22)	(6.40)
Public Separate Facility	na	144,555	155,793
		(3.30)	(3.30)
Private Separate Facility	na	72,910	77,219
		(1.67)	(1.63)
Public Residential Facility	na	24,014	25,693
		(0.55)	(0.54)
Private Residential Facility	na	15,710	12,402
		(0.36)	(0.26)
Other Environment	58,875	37,249	31,600
	(1.36)	(0.85)	(0.67)
Homebound-Hospital			
Correctional[c]	na	12,541	9,163

Note: na = not available.

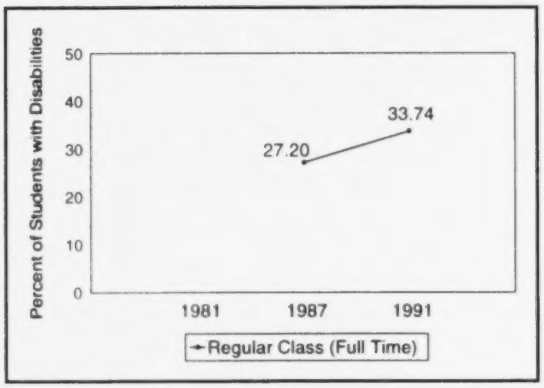
[a] P.L. 94-142 was enacted in 1975, but the provision concerning individualized education programs was not effective until 1977; a Free Appropriate Public Education (FAPE) was not required for all children with disabilities, ages 3 to 18, until 1978, and for all children with disabilities, ages 3 to 21, until 1980, with certain exceptions for ages 3 to 5 and 18 to 21. In 1980-81, P.L. 94-142 was fully implemented for the full spectrum of exceptional students, ages 3 to 21.

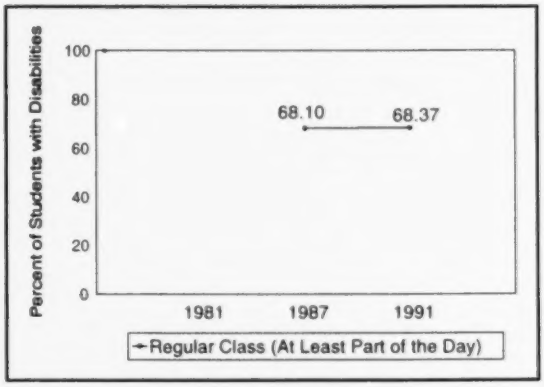
[b] Noncomparable data definitions for regular class and separate class (no resource room) prior to 1984-85; additional definitional changes occurred in 1989-90.

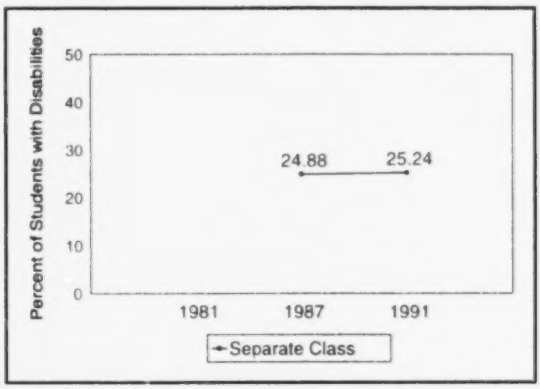
[c] Duplicate count; not included in the percentages.

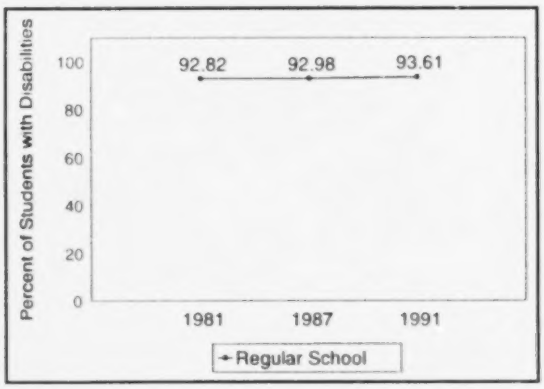
Data source: U.S. Department of Education (1993, 1983, 1989). *Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act.* Washington, DC: Office of Special Education Programs. Data for IDEA, Part B and Chapter 1 of ESEA (SOP).

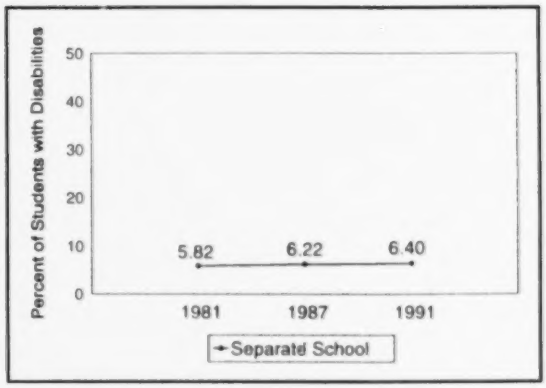
Figure 1
Percent of Children with Disabilities, Ages 3-21, Served in Different Educational Environments, 1980-81, 1986-87, and 1990-91











This question is especially perplexing. It is argued that under current law, although funding streams must be kept separate, the regulations of categorical programs do not require the segregation of services among beneficiaries or "pull out" programs—although in some cases these may be warranted. For example, the federal programs for compensatory education, special education and bilingual education are placement neutral. Regulations attendant to the receipt of aid restrict funding to specifically designated populations, such as children receiving special education and related services, but do not link funding to the place in which services are provided. Aid can be used in the general age-appropriate classroom, in a separate room, or a separate facility.

Given these considerations, greater attention to a *blended service approach* has been urged as one answer to the piecemeal and uncoordinated categorical aid system that has often resulted in the fragmentation of programs and services for children with disabilities and in the isolation of these children from their classmates. Using a blended service approach, children receiving services from several categorical programs can be provided a single, integrated, and coherent program in the appropriate setting, such as the general education classroom.[13] Funding would follow the child to the setting in which services are provided because it is "placement neutral." However, when more than one funding source is supporting a single student, separate audit trails are required due to excess costs and "supplement-not-supplant" provisions that prohibit commingling of funds. Therefore, under one approach that supports greater integration, while individual *services* from several categorical programs are blended, funding streams are kept separate.

The Mukilteo School district in Everett, Washington, has used a blended service model since 1982, using funds allocated from a variety of categorical programs including basic education, ESEA, Chapters 1 and 2, state remediation, and state and federal refugee and bilingual programs. The program recognizes that the "supplement-not-supplant" issue is best left at the funding level, not the service level. Categorical dollars must be spent on eligible children only, and those dollars must be in addition to basic education dollars. The decision on how those dollars are spent, however, rests with local districts (Felix, Hertlein, McKenna & Rayborn, 1987, pp. 787-788).

[13] Smith and O'Day (1991) define a "coherent" program as one in which all components and levels of the education system are coordinated and aimed at enhanced outcomes for all children and at all schools.

While blended service strategies hold much promise for the delivery of more integrated services for children with disabilities, they also include several challenges that must be addressed if they are to be successful (see Table 2). Questions include the level of the system that should be responsible for administering the program, the extent to which flexibility may be enhanced within the parameters of current law, and how policy might be clarified to better link federal priorities with rules and regulations governing fiscal accountability and monitoring.

As related to the level of the system receiving aid, currently funding for children with special learning needs is allocated to the central school district office from the state education agency (SEA). The SEA, in turn, has responsibility for administering special education programs. Because the administration of special programs is often not the responsibility of the school principal, it is argued that this absence of authority reduces the ability of the principal to blend programs and resources in the building to bring together what is required to help students with special learning needs in the general classroom. This is problematic because the school effectiveness literature indicates educational change begins at the building level, and the principal is key (Edmonds, 1979).

This also results in two reporting structures for teachers, with core classroom teachers reporting to the school principal, and teachers funded by federal programs reporting to the central office. Moreover, it contributes to a parallel system of schooling for children in general versus special education (cf., Moscovitch, 1993; Will, 1986). Given these considerations, questions remain concerning whether changes should be made in the allocation of aid. Should it be distributed directly to schools in an effort to reduce fragmentation and allow authority and responsibility for federal assistance to be fixed at the same level of the system?

Additionally, it has been pointed out that blending services in the general classroom from several federal funding sources can be burdensome and time consuming. Challenges in providing integrated services for children with categorical funds from multiple federal programs while providing separate auditing and accounting trails for each, requires administrators to mix Title I, Title VII,[14] and the IDEA funds, among others, to create a cohesive program that meets the needs of each student. Because each funding source requires

[14] P.L. 103-382, The Elementary and Secondary Education Act, Title I-compensatory education; Title VII-bilingual education.

Table 2
General Strengths and Weaknesses of a Blended Service Approach

BENEFITS

- More comprehensive, coordinated services can be created for all children, without making any substantial changes in the rules or regulations that govern the receipt of aid under separate funding streams.
- Professionals are allowed to coordinate services to meet the needs of the child in the regular classroom.
- Individualized instructional techniques of special service personnel may spillover to regular classroom teachers and core instruction.
- A teacher whose time is supported by several categorical aid programs and general district funds can be assigned to a wide variety of tasks, increasing flexibility.
- Educating more children together in the regular classroom has the potential to reduce the possible stigmatization of children with special needs.
- Allocating funds for special programs to the school building level can increase ownership and create more flexibility in meeting the diverse needs of the special and regular student population.

CHALLENGES

- Teachers responsible for core programs and specialized services will need support, staff development, and time to plan and coordinate lessons, which is unaccounted for in current budgets.
- Because a teacher supported by multiple funds may legitimately deliver almost any given service, it is difficult to judge whether program beneficiaries are receiving the services to which they are entitled.
- Delivering more services to children in the regular classroom, will require the restructuring of the roles and responsibilities of teachers and administrators.
- The current lock-step method of instruction will need to be adapted to accommodate the diverse learning requirements of all students. Lock-step instruction is based on the assumption that all children learn the same skills and content using the same materials within the same period.
- Providing blended services in the general classroom will require administrative time and expertise to learn about and account for separate categorical expenditures.
- The intensity of services may be reduced due to diseconomies of scale associated with decentralized "pull in" programs.

categorical accountability, many administrators believe they must separate out exactly how many services were paid for by revenue from each funding source. The task generally becomes how to subdivide the cost of a single supplementary teacher into an accurate percentage of time that that teacher spent with compensatory education students, special education students, limited-English proficient students, and students who do not receive special services.

As one administrator explained, "Say a special education teacher goes into a general classroom and works with five children: three are special education, one is compensatory education, and one is nonspecial services. Then I must allocate 60 percent of that time to special education, 20 percent to Title I, and 20 percent to general funds." This task is compounded if an hour by hour accounting for services, referred to as "billable hours," is necessary to meet fiscal accountability requirements, as some administrators believe it is.

The primary disincentive for blending services through integrated service delivery models, according to other individuals, is the "incidental benefit" requirement that guides "supplement-not-supplant" enforcement. This provision allows the IDEA personnel to work with the non-IDEA children in the general classroom only if special education students receive the primary benefit of the activity while other, nonspecial-education children are provided only an indirect or "incidental benefit."

The problem that arises is illustrated as follows. In an effort to integrate special education students into the general education classroom, two teachers are assigned to that classroom: a general education teacher—who provides the main instructional program; and a special education teacher—who provides modifications to the environment and instruction to promote the learning of all students, particularly special education students. After the general education teacher has provided an English lesson, the special education teacher follows up by providing instruction for a small group of children who "didn't get it" the first time around. Some of the children in the group are special education students, some are not. Because nonspecial education students are receiving direct instruction from the IDEA-paid teacher, a primary benefit—not an indirect, incidental benefit—is provided to these pupils. This would appear to be disallowed under the incidental benefit rule, thus hobbling local inclusionary efforts.

However, it is not clear whether this type of fiscal accountability is required by the rules and regulations accompanying federal aid under the IDEA, or whether

it results from overly strict interpretations of the fiscal accountability requirements by the states or localities receiving aid. In contrast to the preceding interpretation, for example, it is argued that the IEP drives all money in special education by calling for extra programs and services. If the IEP calls for general classroom placement, then nothing precludes the IDEA-paid special education teacher or aide from working with children who are not in special education as long as the special education students are having their needs met as indicated on the IEP. When in the classroom, the teacher (via the IEP) is providing for the least restrictive environment mandate of the IDEA by including children other than special education students in the teachers' groups or by teaching and responding to the questions of both special education pupils and non-IDEA children. It is argued that this was the intent of Congress.

Given these mixed interpretations, specific federal guidance concerning the extent of flexibility permitted under the fiscal accountability provisions and incidental benefit rule appears warranted, or policy might incorporate language to the effect that funding should follow the child and that special education teachers can work with non-IDEA children *as long as special education services are provided to children with disabilities as required in their IEPs*. As one individual suggested, policy clarification from the U.S. Department of Education, Office of Special Education Programs (OSEP) should tell states that the

> IDEA as currently drafted allows for the money to be used in the regular classroom. Special education personnel are encouraged to work with other children in the regular classroom [if the IEP calls for it].

Another individual advised that statute incorporate language to the effect that "P.L. 94-142 *can* be used in general education classes to allow the appropriate inclusion of children [with disabilities]" Or, as another urged, "clarification should state that Part B funds can provide incidental benefits, such as peer tutoring, small group work, and equipment for non-IDEA children."

Respondents also pointed out that fiscal accountability requirements, such as the incidental benefit rule, on the one hand, and policy calling for more fully integrated programs and services for children with disabilities, on the other, have resulted in *mixed messages* for local schools. Those targeting this issue as getting

in the way of local reform efforts called for "a unified federal...vision that affects accounting and monitoring as well as policy and programs." According to one respondent, "A clear message is needed among all federal actors, particularly the policy people and the monitors and auditors." Another state official found that "The [fiscal accountability requirement for incidental benefit] is contradictory to the federal...vision of unified/integrated services for all kids.... What has to happen is regulations [and monitoring] must be changed to assure they are not contradictory with the vision [of a more unified] system."

Overall, administrators and others who discussed issues related to fiscal accountability requirements under the IDEA expressed the belief that written direction, guidance, or policy clarification is needed from the federal level to resolve these types of ambiguities. Such guidance would allow coordinated interpretations of federal requirements across the diverse set of federal and state actors including auditors, monitors, and program administrators. This would remedy the current state of affairs, where state and local administrators feel they must bear the full burden of fiscal compliance interpretations. Without such guidance, many state and local administrators will be reluctant to implement more integrated programming, which can put funding (and therefore services) for children with disabilities at risk, because audit exceptions can result in the withholding of federal aid.

Further clarification is also called for concerning permissible flexibility in the use of the IDEA funds for activities that may be required for both general and special education teachers if a blended service approach is to be effective (e.g., funding for teacher assistance teams, joint training, and collaborative planning). Although current law allows for some cooperative activities between general and special education through the comprehensive system of personnel development (CSPD) provisions, such as inservice training, it may be necessary to "breathe new life" into these provisions and disseminate flexible uses of the funds more broadly—particularly as related to cooperative endeavors. Notably, effective models are needed of how assistance under the IDEA can be utilized to plan, train and provide integrated programs for children and service providers across general and special populations. These prototypes should highlight high performing schools for special education students and best practices; they should be disseminated widely across a majority of schools and districts in the nation, in an effort to "go to scale."

In addition, further clarification of other special education policies and practices may be needed if a more unified vision of reform is ultimately to be realized. For

example, regarding the IEP, many practitioners believe (although it is not the case) that only services provided by the special education teacher can be written into the IEP. To foster better service integration, it may be necessary to write into the IEP "how the regular education teacher should implement IEP goals, team teaching goals, and so forth." A related question is: Should the general classroom teacher affected by these objectives also be required to attend and participate in the relevant IEP meetings?

More inclusionary schemes also mean that general class teachers will need professional development "to learn how to teach students with cultural differences, racial differences, and disabilities." Likewise, special education teachers will need to learn how to work more effectively with general education students and other students with special needs. Joint classroom management techniques are also necessary if greater integration and team-teaching models are to be successful.

Other changes, such as those related to teacher certification, preservice education, and the SEA organizational structure, may also ultimately be required to assure coherent policy aimed at a unified vision of reform. Currently, for example, many states certify teachers for a specific disability category. As an interviewee pointed out: "When a set of special education children are included in general education classrooms, and they represent an array of exceptionalities, separate teachers (with separate certifications) are required. An LD student must receive services from an LD-trained teacher who cannot provide services to MR students. Certification requirements rarely, if ever, allow for broader-based training [e.g., a teacher certified for children with mild disabilities, or across disability categories.]"

If several special education students receive programs and services in the general education classroom, it is likely that multiple-categorical certification, or broader classifications of special education certification will be necessary. As a federal official noted:

> We need to move away from categorical certification. The more you slice these things the more barriers you create for collaborative services.

Likewise, preservice (university) education will need to be updated—to broaden system capacity and allow cross-training of future special and general education teachers and administrators. SEAs may also need to restructure along more generic, noncategorical lines rather than by federal program area. As one

interviewee observed, "...reorganization at the SEA level accompanied a move to greater integration between programs and kids at the district level [in this state]. Under the new organization, SEA personnel were not placed in federal program areas but in general areas [that are crosscutting] like pupil services."

Importantly, however, as related directly to finances, broadening the reading of the "supplement-not-supplant" provision through the clarification *and expansion* of allowable expenditures, could genuinely increase flexibility under current law and promote more cooperative arrangements between general and special education while maintaining accountability. For example, preventative services could be written into allowable uses of aid for LD (learning disabled) children, or the disability definitions could be restructured to allow assistance and eligibility to become more broad-based.

Policymakers will also need to decide what level of the system should receive categorical funding and if federal aid should flow through to schools based on "a targeted plan to bring together regular and special education at the point of delivery" (Will, 1986, p. 15). Alternately, funds for all special needs students could be "chunked" to allow a higher level of aid to flow to schools from the SEA/LEA, increasing flexibility while maintaining categorical accountability. Using this strategy, all federal aid would be provided to the school site in a lump sum. Schools would use the funds for specified populations based on an approved school-based plan that would address how the needs of special student populations would be met. Such a model, although more limited in scope, has been an option available to school districts in California for nearly a decade. Lessons learned from that experience indicate that it is necessary to create a higher threshold of funding to empower local choices, as well as to further streamline the single application and joint compliance review procedures.

In addition, more research is called for that provides a current and authoritative review of all administrative rules related to fiscal accountability for federal categorical aid. Such a review should include provisions of the General Education Provisions Act (GEPA), the Education Department General Administrative Regulations (EDGAR), and other rules and regulations utilized for accounting and monitoring federal categorical programs in schools. The research effort should detail the requirements of the total set of administrative rules governing fiscal accountability; identify the specificity of accounting and monitoring that is required of localities receiving federal aid; and delineate how these provisions interact, conflict, or allow local flexibility. Also critically needed are sound fiscal accountability models with a focus on results, which pass federal

muster, but provide greater local flexibility to integrate student services for children across special and general education programs, and among agencies in education, health, social services and welfare. Once developed, training in the use of these creative approaches to program development and accountability will be necessary.

Respondents also strongly urge federal officials to take a fresh look at fiscal requirements for categorical aid programs. This is needed not only to determine "what is and what is not required" to assure that federal aid is used for specified purposes and to meet national goals, but also to provide maximum local flexibility. As one individual explained:

> We have thought about funding—the appropriations process, the budgeting process, purchasing services and reporting—all as a package and that this package needs to be all categorical or all noncategorical. But we need to decouple these areas—some would be categorical, such as federal appropriations, others, noncategorical. For example, it might be that funds for special students could be reported out in aggregate, that is by funds spent on salaries, materials, equipment, etc. This could increase flexibility while providing accountability for public funds. The main barrier in enhancing flexibility, however, is the knowledge of what is and what is not required by law—and what is local practice.

It is widely agreed that finance systems and accompanying accountability provisions should either provide incentives for less restrictive placements or at a minimum, eliminate disincentives for this purpose (Parrish, 1994; Parrish & Verstegen, 1994). In this regard, to provide coherent policy aimed at fiscal neutrality, the federal government could require that states ensure their special education finance systems are, to the extent practicable, "placement neutral." This would ensure that funding is not awarded based on the place special education services are received, and that funding could "follow the child" to the least restrictive setting to permit appropriate supports and needed supplementary aids.

Finally, Congress could send a broad message concerning flexibility in the use of the IDEA funds, by dedicating a portion of aid—for example, 5 to 10 percent—to "bridge services" across agencies and/or among education programs. This would provide intra/interagency "glue money" for Part B programs, as is

currently allowed under Part H of the IDEA. These funds would support services unaccounted for under current law, based on locally determined needs, such as transportation costs for the IDEA students participating in after school programs, or needed start-up costs for planning and implementing cooperative services across education programs or among multiple agencies.

Other steps can also be taken to increase the flexibility and effectiveness of special education while ensuring accountability, by building on its successes over the past decade. One example would be to extend the noncategorical definition of disability through age eight. Currently the noncategorical disability definition guides practice under Part H of the IDEA for infants and toddlers, from birth to 2 years of age. Extending this age limit up to age 8 is believed by some individuals to be a "logical developmental step" that builds on past experience. In another area, it is believed that current federal law requires the state plan to specify pupil-teacher ratios for special education, which can work against more inclusionary practices. This requirement should be clarified. Also, definitional changes could allow flexibility, as a federal official explained:

> [One option is] the definition of special education services could be more broadly defined to include services provided by teacher assistance teams [before eligibility is determined]. To do this a statement would be included in the law to indicate that preventative services are permissible under Part B.

Another issue that repeatedly has been mentioned as needing further attention and development is the identification and scaling back of barriers to more coordinated funding and programming among social services, mental health, and other agencies as related to children with disabilities. One interviewee noted the sense of those who discussed this issue: "the first concern is coordination among education programs. Then attention should focus on how these programs can work in concert with other agencies. The same issues are there."

While there are many issues related to the supplement-not-supplant requirement as discussed above, there was one, single issue related to an accompanying fiscal accountability provision: maintenance of effort. Interviewees that mentioned this provision found the stipulations of federal statute were often onerous and worked in conflict with the purposes of the law, while resulting in unintended

and undesirable consequences for some local school districts. As one individual explained:

> This is a real barrier. Special education must maintain effort dollar for dollar from year to year [under the maintenance of effort provision in the law]. For [ESEA] Title I, the requirement is 90 percent [of the second prior year] but for special education it is 100 percent.

The problem with requiring that effort (spending) be maintained "dollar for dollar," for a school district, was illustrated by interviewees with the following examples.

> *Example 1*: A school district has three special education teachers. One teacher, earning $30,000 retires. The district hires a new teacher, who earns $18,000. Now the district is out of compliance.

> *Example 2*: One family with five children with disabilities moves away from the school district and these children cost $200,000 to serve. "The problem is the maintenance of effort provision requires you to spend that $200,000 even though the kids are gone—or be out of compliance."

These examples illustrate several issues related to this provision. While the scenario illustrated in example 2 is permissible under current law, the one discussed in example 1 is not. This indicates that better dissemination of permissible exceptions under this provision is needed, as is further attention to the issues raised in example 1. Overall, however, the general sense of those discussing the maintenance of effort provision was that "This needs to be looked at and loosened up."

Alternately, a state administrator suggested altering these requirements for accountability purposes, stating "the level of services may be a better way to go than actual dollars." According to another state administrator: "Another question that we need to ask is: How to use data to address the accountability issue. One possibility is performance accountability. For special education, performance indicators may be the number of students with a high school degree, progression from grade to grade, and so forth. We need to determine: What are your accountability measures?" According to another individual, what is needed is "accountability systems that encourage the use of best practices." These comments point to the need for new models of fiscal accountability that

must be developed, which would encourage the use of best practices and include accountability for services rendered, as well as the educational outcomes of exceptional children and youth.

III. Noncategorical Approaches to Funding Federal Programs and Services

As discussed in the previous section, interviewees agree that a much better balance can be reached between needed flexibility and required accountability under the IDEA within the parameters of current law. However, given concerns expressed about fiscal accountability requirements, interviewees were asked if they believed the problems associated with categorical aid under the IDEA were severe enough to warrant adoption of noncategorical funding approaches, such as block grants, that would allow commingling of aid and would eliminate categorical limits. This section addresses these issues. First, types of noncategorical aid are reviewed with attention to research findings related to the impact of these types of federal grants on recipients. Next, study findings are presented, with attention to the role of special education in two federal initiatives that provide broad-based assistance: Elementary and Secondary Education Act (ESEA), Title I, schoolwide programs, and the *Goals 2000* initiative.

Types of Noncategorical Federal Aid: General Aid and Block Grants

Noncategorical or blended funding approaches respond to criticisms of the categorical method of funding children's services that provide a piecemeal approach for addressing many different but related problems. Using categorical revenue streams, which target eligible students rather than services, children who do not meet eligibility requirements "fall through the cracks" and do not receive assistance unless their problems reach threshold levels, when they may be most difficult to address. Some children are misclassified in order to trigger needed

services; others are fit to the available services rather than fitting the services to the childs' learning needs (cf., Farrow & Tom, 1992; Will, 1986).

Noncategorical aid approaches—also referred to as blended or pooled funding—are associated with general aid to education at the state level, or block grants and revenue sharing at the federal level. General aid to education refers to the provision of grants to LEAs on a per student basis or some other general criterion; it provides broad recipient discretion in the use of funds. This funding approach for special education has recently been enacted in Kentucky and Massachusetts. California provides a block grant for a limited number of state programs for children with special needs. (Table 3 summarizes funding approaches in these three states.)

Block grants are generally considered to be federal grants-in-aid. They provide assistance, usually to general purpose governmental units as specified by a statutory formula, for use in broad functional areas. Recipients are allowed considerable discretion in identifying problems, designing programs, and allocating resources (cf., GAO, 1982, 1995). Thus, block grants shift decision choices and policy priorities from the federal government to state and local governments. Like general aid, block grants generally do not contain fiscal accountability provisions, but broad civil rights stipulations apply (McKay & Schroyer-Portillo, 1983).

Block grants can be established by enacting a new federal program to carry out varied activities to meet a national need, such as the recently enacted *Goals 2000: Educate America Act*; or by blending several categorical programs into one pool of funds and eliminating attendant rules and regulations, such as the former ESEA, Chapter 2 legislation.[15] Under blended funding approaches, new revenue sources are created or funds from various sources are combined into one account that commingles aid, removes categorical limits, and permits maximum recipient flexibility in the use of assistance.

Historically, the federal government has not provided aid to education through block grants or other noncategorical mechanisms. (See Appendix B for a brief review of federal aid to education.) Stiff opposition to such funding approaches has been based on concerns that federal block grants would redirect funds and

[15] Chapter 2 was enacted in 1981 as part of the Education Consolidation and Improvement Act; then recategorized into six broad areas under the ESEA, Hawkins-Stafford Amendments in 1988; and subsequently recast as Title VI of ESEA in the recent reauthorization in 1994. This illustrates a main feature of block grants—instability over time.

Table 3

Financing for Children and Youth With Special Needs in Three States

- In *Kentucky*, finance reform allows a local school district to receive the same amount of money if a student is in the regular classroom or in other class configurations. The new system is "not funding places but funding services; the money follows the child." It varies in amount depending on the numbers of children within an LEA and their needs, based on broad classifications of disability. The state formula provides an average $2,175 per child; children with severe disabilities receive additional funds (2.35 times the base), as do children with mild/moderate disabilities (1.17 times the base) and those receiving speech services (0.24 times the base). Funds are distributed through the general aid formula; this eliminates specific categorical funding streams. Categorical audit trails are not required or audited. The SEA provides flexibility in the use of funds and monitors accountability through a review of IEPs and each district's outcomes, including district-level accountability index scores; and by investigating complaints. Kentucky is unique by including all children in the state assessment system, including children with disabilities.

- In *Massachusetts*, recent legislative changes provide state aid for special education that is placement neutral, and increased funds for general education. For each student, $5,500 is provided; extra funds allocated for special education are based on funding for an additional FTE of 3.5 percent of the school-aged population (which assumes 14 percent of school children require special education for ¼ time) and $13,500 per child for an FTE of 1 percent of the population, who are assumed to need out-of-district placements. A low income allowance is also provided based on students eligible for free and reduced price lunches; this is provided to assist districts with unavoidably larger numbers of special needs students.

- In *California*, the School Based Coordinated Programs Initiative allows schools to coordinate funding and services from seven state categorical aid programs at the school site, based on a state-approved school plan. The plan must address how the needs of special populations will be met, including children who are gifted and talented, economically disadvantaged, limited-English proficient, and those with emotional/developmental disabilities. The initiative responded to the need for greater coordination of services resulting from pull-out programs. As one state administrator put it, now "Johnny is not getting LEP, special education, etc. Now Johnny is getting educated." Special features of the programs include a consolidated application and a coordinated compliance review that occurs every three years. Supplement-not-supplant provisions are applicable, but other categorical stipulations do not apply.

services away from targeted population groups, while reducing overall assistance and redirecting costs from the federal government to states and localities. Research supports these contentions. In addition, research shows that block grants are ineffective in achieving national interests or the needs of targeted population groups at state and local levels; they are substitutive, replacing state and local aid; and they are generally unstable over time—they may be recategorized, merged into broader grants-in-aid, or discontinued altogether (cf., GAO, 1982; Levin, 1982; Tsang & Levin 1983). In addition, as one interviewee noted, "[federal aid represents] small total funds. If aid is not targeted [through categorical grants], it will be spread too thin to provide effective interventions."

Given the problems of fragmentation and lack of coordination, should categorical aid programs for children with disabilities, such as those under the IDEA, be replaced by noncategorical funding approaches such as block grants or general education aid?

Interviewees highlighted the need to maintain categorical funding for special education and underscored the concerns and research findings discussed above about noncategorical, unrestricted aid (block grants). Categorical aid, they said, assures that targeted populations receive the benefits intended for them under federal law, and that accountability for funds is provided "so that you are sure it is not going to fill potholes or build buildings." Capturing respondents' opinions on this subject, an interviewee admonished, "Don't get rid of [categorical aid and accountability requirements]. This is naive...unrealistic. The federal government doesn't deliver money in brown paper bags and never will." Another respondent underscored that the chief issue in this regard was "how to coordinate services and not lose funding sources. This means separate funding streams but integrated programs." In sum, respondents concurred that

> The goal is to *coordinate funding* not blend funding....We don't want to lose funding sources but [we] do want greater integration of programs and services. *Blend services not money.*

Enhancing Local Flexibility and Program Coordination

According to interviewees, enhanced local flexibility and programmatic coordination in special education could be achieved in a number of ways using categorical revenue streams under current law. Many of these options have been discussed earlier, but a host of issues and alternatives remain. They include, but are not limited to, consolidating several separate program authorities into more broad-based areas while retaining categorical limits, such as the discretionary program authorities of the IDEA; or better linking the IDEA to other federal programs—such as the ESEA, Title I schoolwide program authority or the *Goals 2000* initiative—but maintaining the overall policy structure. These options are discussed further below.

■ Schoolwide programs under the ESEA, Title I

A type of blended funding stream (block grant) currently authorized under the Elementary and Secondary Education Act (ESEA) is the schoolwide program authority.[16] Schools with high poverty concentrations (i.e., 60 percent in 1995-96, and 50 percent in 1996-97) are allowed to commingle federal aid under Title I with other federal, state, and local funds in order to upgrade the entire educational program in a school. The Secretary of Education may exempt participating schools from statutory or regulatory provisions of any other federal aid program administered by the U.S. Department of Education, if the intent and purposes of these federal programs are met. This "megawaiver" authority of the Secretary allows commingling of funds for affected programs and broad local discretion in their use. "Supplement-not-supplant" provisions apply, as do services required by law for children with disabilities and children with limited-English proficiency; and certain requirements of other federal assistance programs included in the schoolwide program authority must be met.[17] However, the IDEA is exempted from the broad megawaiver authority of the Secretary under this program.

Some argue that the IDEA should be included in the ESEA, Title I, schoolwide program authority to allow localities enhanced flexibility to pool money from special education with other funds in support of overall schoolwide

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[16] P.L. 103-382, Title I, Part A, Sec. 1114.

[17] These include fiscal accountability provisions (supplement-not-supplant, comparability, maintenance of effort) and regulations related to health, safety, civil rights, gender equity, students and parental participation, and services to private schools.

improvement (cf., National Association of State Directors of Special Education [NASDE] and Council of Chief State School Officers [CCSSO], 1994;[18] American Association of School Administrators [AASA], 1994). The rationale for blending federal assistance under the IDEA with other funding streams for schoolwide programs is based on the contention that children with mild disabilities funded under the IDEA, children funded under Title I, and low achievers not in special programs require essentially the same instructional interventions and generally cannot be distinguished by multiple psychometric tests.[19]

Additionally, proponents point out that schoolwide programs have the potential to (a) reduce paperwork burdens and the marginal nature of categorical aid programs by fully integrating them with core instructional programs; and (b) enhance the entire educational program for all students, including children with disabilities, thus reducing identification rates. Because schoolwide programs allow maximum local discretion in the use of funds, children can receive services without being labeled, and localities can target assistance on services not included under current categorical programs (e.g., prevention programs and services that address the unmet needs many children bring with them to the schoolhouse door).

Moreover, allowing the IDEA funds to be commingled with other state and federal program funds under the ESEA could "send a policy message [from the federal government] to states and school districts that says 'we believe the general education classroom is where all kids should be educated." Thus, it is argued, that a main effect of including the IDEA in the schoolwide program authority would be in the message that it sends—"because all procedural safeguards would remain, including those for identification, the IEP, due process rights and other procedural safeguards." Additionally, proponents contend, such an approach could serve as an impetus to move special education in new directions where outcome accountability could substitute for categorical accountability. This could guide and drive attention to results in education for children with disabilities, rather than to procedural compliance, with a focus on questions such as: How many children in special education are achieving their

[18] Quoted in *Special Education Report* (November 16, 1994), *20*(23). *Note:* CCSS members voted 23-5 on November 17, 1994, to include the IDEA in the schoolwide program authority.

[19] This is not a settled question, however, and research addressing it has provided mixed results (cf., Ysseldyke, Algozzine, Shinn & McGue, 1982; Kavale, Fuchs, & Scruggs, 1994). Moreover, recent research shows that children with "low achievement and learning disabilities can be clearly differentiated, even in studies which have been cited as evidence that little or no difference exists between learning disabilities and low achievement." (Kavale et al., 1994, 70 ff.)

goals on the IEP? How many children with disabilities are included in the state assessment system? How well did they do?

In contrast to those who believe that the IDEA should be included under the schoolwide program authority of the ESEA, Title I, others find that the IDEA funds should not be pooled with other federal, state, and local programs and that current law already provides the necessary flexibility for integrating children and services at the school level. They point out that the schoolwide program authority in the ESEA is at odds with the individual entitlement provision of the IDEA and would have the effect of eliminating key provisions of the Act. Moreover, they argue, the IDEA was established because states and localities were not serving or were underserving children with disabilities. There is no reason to believe local practices and attitudes have changed in the interim (regardless of the passage of the EHA or the ADA), or that funds would not be spread widely across all children, bypassing children with disabilities, if this were permissible.

Still others believe that if the goal is to encourage coordination of funding in support of overall school reform, a more measured approach is called for, starting with an analysis of what provisions are getting in the way (cf., Weckstein & Watkins, 1994). To include the IDEA in schoolwide program schools could result in fewer resources being allocated to special education children in schoolwide programs compared to exceptional children in other schools. Moreover, it would begin a dangerous precedent and could exempt whole schools from meeting the full set of requirements under the IDEA.

It is difficult to ascertain the impact of including the IDEA in the ESEA, Title I, schoolwide program authority. Data are not available to determine how many exceptional children and youth would be affected, their needs, demographic profiles, or past local practices. In addition, many unanswered questions remain concerning schoolwide programs. For example, what standards are there for granting waivers? What requirements of the IDEA are inside or outside the list of those that meet the "purposes and intent" of the Act? (Assessments? Continuum of placements? Eligibility?) To what extent do low-achieving children living in low-income areas overlap with children receiving special education programs and services? That is, how many children currently served under the IDEA would be affected because they attend schools eligible for

schoolwide programs? How might special education, Title I, and other federal programs work together with general education to achieve better results for all children?

Data provided on past ESEA, Title I, schoolwide programs show that of the approximately 85,000 schools, about 2,069 used the authority in 1991-92. A majority of these (57 percent) were in urban areas. It is estimated that this represents one-third to one-fourth of eligible schools in 1992. Schools have generally funded activities that assist all students under the schoolwide program authority—through reducing class size, in 79 percent of all schools, or through the adoption of "effective schools" programs, in 62 percent of all schools (cf., Riddle 1992; U.S. Department of Education, 1992b). Moreover, the general understanding that, on average, children with disabilities represent all socioeconomic classes, ethnic groups, and races, is supported by research.[20] Available research has also noted a high overlap between minority status and poverty (Noel & Fuller, 1985) and a relationship between special education eligibility and poverty for African American children and youth (Wagner, Blackorby, Cameto, & Newman, 1993). However, more research is needed in this area to guide deliberations, estimate impacts, and respond to numerous unanswered questions.

Policymakers will need to determine if current policy should be altered given the paucity of available impact data, and if so, whether a few demonstration models with a heavy evaluation component might provide a viable alternative to full scale incorporation of the IDEA into schoolwide programs. Such a change in policy could effectively provide services for all children in these schools by creating a threshold of funds for schoolwide improvement activities, possibly reducing the numbers of students needing specialized categorical program offerings. For these and other reasons, merging the IDEA into the ESEA schoolwide program authority may be a promising approach—particularly if

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[20] Analyses conducted to explore possible relationships between poverty and disability, herein, show that the state percentage of children identified for special education and the percentage of children in poverty were insignificantly and minimally related ($r=-.133$, $p=.355$). The relationship between the percentage of children identified as learning disabled and the percentage in poverty was also low and insignificant ($r=-.2067$, $p=.150$), as was the relationship between special education identification and the percentage of minority children ($r=-.1945$, $p=.169$). However, the relationship between the percentage of minority children and children in poverty was significant and moderately related ($r=.49$, $p \leq .001$).

Data Sources: (1) Minority–U.S. Bureau of the Census (1992). Children by state were derived from U.S. Bureau of the Census (1990). *Note*: Percent minority was the sum across all minority categories for ages 5-17, divided by sum of all persons. (2) Poverty–U.S. Bureau of the Census (1991). (3) Special education children, ages 3-21, under Chapter 1, SOP and IDEA, Part B–U.S. Dept. of Education (1992a).

limited to a "circumscribed and defined special education population," and for a specific time period. This would allow independent research efforts to examine more fully the tradeoffs and impacts of the initiative on children with disabilities.

However, there are many challenges raised by the possibility of such a merger. If the IDEA funding were commingled with other federal, state and local accounts, the procedural safeguards and supplementary programs and supports for children with disabilities might be threatened. Because the IDEA is a child-based grant where eligibility is determined locally, schools will lose money if the numbers of exceptional children decline. This could counteract possible incentives to reduce counts of special education children in schoolwide program schools. Additionally, the IDEA, in contrast to the ESEA (Title I or Title VII), is an *entitlement*. Children with disabilities are guaranteed a free and appropriate education, unlike compensatory education students, where services do not need to be provided and currently only about 60 percent of eligible students are served. If the IDEA were included in the ESEA schoolwide program authority, fiscal incentives to shift funds to special education might occur, particularly given the inadequate funding structure that characterizes the IDEA, together with its entitlement provisions (cf., McGill-Franzen, 1987).

Conversely, some see the inclusion of the IDEA in schoolwide programs mainly as a device to shift funds out of special education and redistribute them regardless of student need. A respondent captured these sentiments:

> Why rob IDEA to help nondisabled children because the real problem here is reform of basic education so it can provide individualized services for children. This is a "smokescreen"; it has come about because regular education is in need of extra funds.

This comment raises a significant issue that has been suggested in the literature and in the field—and is perhaps the most germane issue to the discussion of unified services for exceptional children and youth. That is, *the reform of special education is hostage to the reform of general education*. General education reform, aimed at upgraded outcomes, challenging content and performance standards, and equal opportunities-to-learn, was addressed in the recent *Goals 2000* initiative.[21] Likewise, another recently enacted program closely tied to *Goals 2000*

[21] Goals 2000: Educate America Act, P.L. 103-227.

is the new *School-to-Work Opportunities Act*,[22] which enables high school students, through work-connected education, to achieve state education standards and enhance their results in education. The *Goals 2000* framework for change and improvement was also applied to the recently reauthorized ESEA, Title I program for compensatory education.[23] Should this framework also guide and drive special education policy?

■ Education reform movement and the *Goals 2000* initiative

New directions propelling education reform activities across the country are encompassed in the *Goals 2000: Educate America Act*, a federal education program enacted in the 103rd Congress. Under *Goals 2000*, broad-based funding and flexibility in its use are provided to states and localities—to promote coherent, nationwide, quality education aimed at the achievement of the national education goals for all children and at all schools. "All students" includes children with disabilities, limited-English proficiency, and those from diverse racial and ethnic backgrounds.[24] Key issues related to *Goals 2000* include strategies for coordinated, systemic improvement in education aimed at upgraded outcomes for all students and at all schools, and the role of special education in this effort.

To address these issues, it is believed that special education will need to forge into new territory to meet the needs of children with disabilities in the context of a global economy and a knowledge society. At the same time, it is widely held that the IDEA should maintain its fundamental objectives and structure, while building on lessons learned over the past 20 years. Past "first generation" objectives focused on the access of children with disabilities to educational programs and services. Current "second-generation" objectives focus on better integrating programs and upgrading outcomes for all children.

For example, many reports and analyses indicate that the promises of Part B of the IDEA have been realized for many students with disabilities. In some cases, however, it has been pointed out that the lack of or improper implementation has resulted in two separate educational systems—one for general education and a separate and distinct system for special education.

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[22] School-to-Work Opportunities Act, P.L. 103-239.

[23] The Elementary and Secondary Education Act, as amended, P.L. 103-382.

[24] P.L. 103-227, Title I, (3)(a).

This isolation and lack of coordination can create "artificial barriers to achieving the promises of part B of IDEA, the ADA, and section 504 of the Rehabilitation Act of 1973" (Harkin, 1995, pp. 25-26). Additionally, as one individual stated:

> The goal 20 years ago was access. Now special education should look to the education reform goals and how special education [students] can reach these goals. Exceptions would be some low incident disabilities [such as children that are] extremely cognitively disabled....

Thus, the challenge for the future is to balance the emphasis of the 1970s and 1980s on access, compliance, and the procedural construct of special education, with that of innovation, experimentation, and "procedural and content fine-tuning" in order to achieve an expanded emphasis on both improved student outcomes (Schrag, 1993, p. 205) and a better integration of programs and services (Harkin, 1995).

To meet these challenges, interviewees and others believe that it is necessary to better align special education with the general education reform movement including the national education goals and standards (content, performance and opportunity-to-learn), consistent with provisions of the IDEA (cf., NASDE, 1993). However, to better align these areas, a bevy of issues will need to be addressed, some of which are only beginning to surface. Moreover, obstacles to this type of reform currently exist in policy and practice at all levels of the system, and they will need to be identified and scaled back to make way for a new, improved *Special Education 2000*.

For example, many children with disabilities are currently excluded from national and statewide goals, standards and importantly, assessments administered to their nondisabled peers. As a result of assessment exclusions, the test results are skewed and do not accurately portray the diversity of the student population. Reasons given for the assessment exclusions of exceptional children include participation guidelines, high-stakes incentives for exclusions, unwillingness to accommodate exceptionalities, and altruistic motivations (cf., McGill-Franzen & Allington, 1993).

To address these problems, some believe that a statutory requirement to the IEP may be needed, which provides a statement describing the extent of student participation in national and statewide assessments. Individuals assembled to develop an IEP might be required to consider the appropriateness of student

participation, as well as to formalize the accommodations or modifications necessary for each child's assessment administration (CEC, 1994).

Participation data on student assessments, in addition to promising pedagogy and other outcome indicators, could also be included in the *Annual Report to Congress*, along with finance data, to allow estimates of the cost of special education to be made available to Congress, and to gauge its efficiency and effectiveness into the future. However, with regard to the inclusion and reporting of finance data, the 1990 Amendments to the IDEA repealed the requirement that fiscal data be collected and reported to Congress. In accordance with *Goals 2000* and the general direction of education reform, perhaps these provisions should be reinstated, adding to the current focus of the *Annual Report*, to include costs, program measures, and education results. In this regard, the annual report to Congress on the IDEA could include information on how students with disabilities perform during and after school—including high school graduation rates, the mix of courses that were taken, and the percentage of students receiving a regular high school diploma and participating in the workforce or postsecondary opportunities.

It has also been suggested that a statement may need to be included in the purposes section of the IDEA to reiterate Congress's intent to include children with disabilities in the *Goals 2000* initiative and to emphasize the need for positive outcomes through the special education delivery system. Moreover, federal officials will need to assure that special education students are fully included in the national debate over: (a) what *all* students should know and be able to do to demonstrate achievement of the national education goals, (b) what resources are required to achieve a full opportunity to learn the upgraded outcomes—including appropriate pedagogy and practice, and (c) what modifications, alternatives, and accommodations are necessary for exceptional students within the general education environment to ensure successful student outcomes.

According to the Senate Committee on Labor and Human Resources (July, 1993), "the exclusion of individuals with disabilities from any aspect of State or local education reform is unacceptable. This means that students with disabilities are entitled to the same high expectations, treatment, and leadership offered to their nondisabled peers." This includes "an expectation that all students across a broad range of performance will be held to high standards if they are to realize their full potential; the adoption of flexible teaching strategies and educational planning in order to make the standards meaningful for all students; a

recognition that leadership from administrators, teachers, related service personnel, and parents is critical; a genuine opportunity to participate in a broad and challenging curriculum and to have access to resources sufficient to address their education needs; access to social services, health care, nutrition, and child care to remove preventable barriers; the adoption of effective strategies that provide effective mechanisms and appropriate paths to the work force as well as to higher education; the appropriate and innovative use of technology; and assessments or systems of assessments that are used for a purpose for which they are valid, reliable, fair and free of discrimination (including adaptations and accommodations necessary to permit such participation" (Harkin, 1993, p. 26).

Altogether, these issues will comprise a full agenda for special education for the balance of the decade, with a tripodal federal role in this effort: to facilitate, to coordinate, and to disseminate.

IV. Conclusion and Discussion of Federal Policy Options

Over the past two decades, significant increases have occurred in the access of students with disabilities to special education programs and related services in public elementary and secondary schools across the nation, under the provisions of the IDEA. More recently, attention has focused on the environment in which special education programs are provided and the outcomes students with disabilities achieve. As lawmakers, educators, and others embark upon these and other emerging issues, questions will be raised concerning changes in law and practice that may be necessary to enhance the IDEA and finetune it for the 21st century. This paper has addressed these issues with a focus on the fiscal requirements of federal special education policy. A review of the literature and testimony presented at hearings on the reauthorization of the IDEA was provided, as was information from interviews conducted with federal and state officials, policymakers, and scholars, to target issues and develop a preliminary catalogue of options for reform.

Overall, a general consensus was reported that special education reform should be, and in fact is, integrally tied to changes occurring in the entire education system. Given the new constructs of high quality education standards for all children and at all schools, interviewees were asked what steps the federal government might take to move from the current set of fragmented, uncoordinated funding and service models to a new more unified model of provision. This vision would include a service system that (a) fully addresses the needs of special students by integrating them with all other students to the greatest extent appropriate, and (b) fully ties their instructional programs to high education standards while insuring accountability.

Some argue that no changes in federal statutes, regulations, or guidelines are needed because all of the flexibility required is already in place if state and local decisionmakers just seek it out and make full use of it. However, while examples of school districts with integrated, unified service provision can be found under extant rules and regulations (McLaughlin, 1995), it is clear that, for the most part, the current provisions and/or state and local practices have resulted in disjointed, rather than unified, schooling systems.

Fiscal accountability provisions related to categorical aid programs are seen by others as providing obstacles to greater integration and upgraded outcomes for all students. Finetuning the full set of accountability standards under current law, in which the learning requirements of special needs students are more fully conceptualized and aligned with the needs of all students, may provide one answer to this problem. Augmenting accountability models with updated systems that include a focus on pedagogy and results, but maintain the current input standards, have also been urged, as have clarifying and broadening fiscal requirements under current law.

Recommendations of Respondents

To respond to these concerns will require some changes in direction at the federal level. What form should these changes take? A summary of specific recommendations for finetuning the IDEA, as suggested by respondents to this study, follows.

- Maintain the fundamental objectives of the IDEA as stated in statute, but finetune the Act to meet the requirements of the information age and global economy.

- Reflect a unified national vision of reform in policy, rules, and regulations—across programs and finances, and across the diverse set of federal actors impacting localities including those in policy, programs, auditing, and monitoring.

- Clarify and emphasize the provisions of current law that allow localities to integrate and coordinate programs and services for students with disabilities to the maximum extent possible, but do not blend funding streams. That is, maintain categorical aid; do not provide block grants.

- Consolidate selected categorical aid programs under the IDEA to broaden their scope within the parameters of current law, such as the discretionary program authorities.

- Broaden the disability definitions in the IDEA and clarify and *expand* the permissible uses of federal aid for exceptional children and youth, while maintaining categorical accountability.

- Provide an authoritative and definitive review of all current accountability and monitoring requirements related to the IDEA that impact localities, and determine what is and what is not required by law and what is permissible regarding local flexibility. Disseminate results broadly.

- Review the "maintenance of effort" provision and consider changing the required level of effort to 90 percent rather than 100 percent, under certain specified conditions (e.g., for small school districts), or allowing adversely affected districts to seek an exception to this provision.

- Determine and clarify, through policy guidance, rules or regulations, the extent of flexibility in the "supplement-not-supplant" fiscal accountability provisions; apply these requirements consistently.

- Provide written guidance or rules and regulations on the "incidental benefit rule" to clarify what and when special education services, personnel, materials, and equipment are permitted to be used for non-special education students.

- Reinstate the fiscal data collection provision that was repealed in the 1990 Amendments and report fiscal information to Congress annually. Develop and report linkages between cost indicators and pedagogical practices that enhance outcomes for exceptional children and youth.

- Allow a set-aside of 5 to 10 percent of assistance under the IDEA to *bridge services* within education or across education and other agencies, to be used at local discretion.

- Provide adequate federal aid to close the gap between authorizations and appropriations.

- Encourage states to (a) broaden special education teacher certification categories, (b) review SEA organization with attention to noncategorical organizational arrangements, (c) review and improve their special education finance systems and programmatic policies to insure incentives are not provided for more restrictive placements, and (d) identify state versus federal rules and regulations for special education and report this information to localities.

- Design, disseminate, and provide training in new models of accountability that include process and outcome accountability (but do not replace input accountability) to direct attention to results in education and emerging new practices and pedagogies for students with disabilities educated in general classroom settings.

- Provide research (a) to determine the extent to which poverty and special education eligibility may or may not overlap by subpopulations of IDEA students (e.g., by race, disability, geographical area); and (b) to identify issues and options regarding the question of inclusion of the IDEA in the schoolwide waiver authority of the Secretary of Education under Title I of the Elementary and Secondary Education Act (ESEA), schoolwide program authority.

- Develop national standards regarding the inclusion of children with disabilities in statewide assessment and reports. Collect and report the extent of participation and outcomes by state, and the criteria used to determine permissible exclusions and accommodations.

- Provide a statement in the purposes section of the IDEA to reiterate that students with disabilities are full participants in state and local education reform and the *Goals 2000* initiative; and that the goals and standards (content, performance, and opportunity-to-learn) apply to students funded under the IDEA,

with limited permissible exclusions (e.g., severely cognitively impaired students).

- Facilitate the full inclusion of exceptional pupils into the broad national discussion and debate over what *all* students should know and be able to do to achieve the national education goals and the corresponding and relevant content, performance, and opportunity-to-learn standards that are needed to achieve these upgraded outcomes.

Implications for Federal Policy

Based on a wealth of research, as well as the best thinking of a number of interviewees, this paper has explored a full gamut of federal options for more coordinated programs for exceptional students aimed at enhanced outcomes, from "do nothing" to the full incorporation of the IDEA into a single federal block grant. However, it seems fairly clear that neither of these extremes is likely to be most effective or desirable, but rather that some middle course of action is needed. While the current system may *allow* the needed flexibility for greater local integration and coordination, in fact it has resulted in highly fragmented, segregated services in the vast majority of school systems across America. Conversely, a single federal block grant is feared because this extreme version of blending may cause the important guarantees that the individual categorical laws were designed to protect to disappear. Rather than a radical change in law, it seems that what is really needed is a shift in emphasis or direction under the current provisions of the IDEA. Beyond *tolerating* integration and coordination, a new policy atmosphere needs to be created in which these practices are clearly *fostered* and *encouraged*, across the diverse set of actors involved with national disability policy, and at all levels of the system.

Specifically, what needs to be done? First, it seems that traditional interpretations of the "maintenance of effort" requirement may need to be reconsidered. Some alternatives in this regard have been described earlier in this paper. Second, the concepts of "supplement-not-supplant" and "incidental benefit" require renewed consideration and alignment to policy priorities. Perhaps the major criterion for considering the appropriate use of special needs personnel is whether they are being used in a manner that is fully meeting the education and social needs of the special populations they were hired to serve. With few exceptions, this will mean that children will receive services within the context of the general education classroom when appropriate and through full

interaction with all other children, but that needed supplementary aids and supports will be assured.

Third, the states need to be actively encouraged to (a) broaden but not replace traditional input and process-based accountability standards, as well as (b) review their own special education policies to neutralize provisions that appear to lead to restrictive practices, and (c) place renewed emphasis on promising classroom practices, pedagogy, and, importantly, educational and social results.

Fourth, states need to be actively encouraged to develop school-based assessment systems that include *all* students. Such systems would contain specific provisions describing adaptations or modifications to the usual testing procedures that may be required to allow for broad-based participation. Exclusion policies would be clearly defined and limited. *All* students would have some form of a results-based accountability system in place that would be appropriate to the education and social goals specified for them. Input accountability would not be eliminated; rather, it would be restructured to include a new focus that assures that appropriate opportunities to learn the upgraded requirements are fully available to all exceptional children and youth.

Fifth, new concepts of accountability should be developed in conjunction with the states and a broad base of constituents. Training would be provided to the full range of participants charged with implementing them. This would include state and local administrators, service providers, university personnel, and state and federal monitors. A clear, unified vision of desirable types of program coordination and integration would be developed and disseminated as models for all of these participants to follow. These models would be based on high performing schools for special education students and "best practices" identified by research.

Sixth, the states should be encouraged to remove all incentives for more restrictive placements that may be contained in their categorical funding systems and special education policies. This could include disincentives for the provision of services in the regular class, increased funding for service provision in separate public or private schools (as compared to what would be made available to the neighborhood school), or separate funding systems that pay for special transportation but that do not allow transportation savings to be redirected to the added cost of serving students in more local settings (Parrish, 1994). It could also include narrow categorical certification requirements and the identification of

young children by disability category. Moreover, incentives should be provided to states for reviewing and appropriately streamlining special education applications, monitoring procedures, and rules and regulations.

Seventh, whether the IDEA should be included under the ESEA, Title I, schoolwide program waiver is a thorny question. The pros and cons of such a change have discussed in this paper. Should schoolwide project schools be able to specifically apply for this type of exemption, contingent on the development and implementation of a broad-based student accountability system and guarantees that procedural safeguards and due process rights will be preserved? As a relatively small number of schools would be likely to qualify under these conditions, they could serve as laboratory schools in which this type of program flexibility could be tested and closely monitored. The lessons learned from these examples could be quite useful in forming future policy that might eventually extend to all schools. Conversely, commingling of IDEA funds could act as a waiver of IDEA requirements. Such a policy shift could exempt entire schools from fully meeting all of the requirements of the IDEA and result in substantial cost-shifting. More research on the potential impacts of such a change is clearly needed.

Eighth, students with disabilities should be full participants in all aspects of the "education reform" movement and *the Goals 2000* initiative, with few exceptions. Identifying and scaling back barriers to the realization of these objectives will comprise a full agenda for special education into the future.

In conclusion, while the general example set at the federal level may be more important than any specific changes in law that are made, some finetuning of special education policy under the IDEA for the 21st century appears to be both desirable and necessary at this time. As has been noted, while required levels of needed local flexibility may technically already be in place, barriers to unified schooling may be less in the letter of federal law than in interpretations of these laws at state and local levels of governance. Even conspicuous modification to some of the more obvious foundations upon which current practices have been built (e.g., the incidental benefit rule) are not likely to result in substantial changes in local practice when taken alone. The separation and categorization of services have been long in the making and are heavily entrenched in local conceptions of service provision and the American political system (McLaughlin, 1995; Fuhrman, 1993). Thus, a well-thought-out, *multifaceted approach* to change will be needed, as well as broad-based retraining, to bring about systemic and coherent improvements in policy and practice. Finances—including fiscal

accountability modifications and clarifications—are an important part of this systemic effort. Finance reform and program reform work more effectively together than either would alone. Proactivity at the federal level is essential for this to occur. Although there may be nothing in current federal law to preclude the flexibility needed to provide unified services, in fact this is not what is occurring in the majority of schools across America.

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Appendix A

Study Scope, Methodology, and Questions

This study was based on multiple information sources, including a review of the scholarly literature, statute, and testimony presented at hearings held on the reauthorization of the Individuals with Disabilities Education Act (IDEA) between the Spring of 1994 and Summer of 1995.[1] Approximately 30 interviews were also conducted for the purpose of providing a federal perspective related to the issues of blended services and funding under the IDEA. Interviewees were selected on the basis of position and reputation; they are listed below. Follow-up interviews were also undertaken to clarify issues and to collect or verify specific information. Efforts were made throughout the study to cross-validate interviews, testimony, research and statute.

Study Questions

General questions posed for the study were:

1. Are there barriers in federal law or practice that discourage the appropriate inclusion of children with disabilities into the general education classroom?

2. What options are available to reduce fragmentation and foster more inclusive programs for exceptional children and youth when appropriate, particularly

[1] U.S. House of Representatives—Committee on Education & Labor, Subcommittee on Select Education & Civil Rights. (March 17, 1994; April 14, 1994; April 28, 1994; July 19, 1994). Hearings on the Reauthorization of the Individuals with Disabilities Education Act. Committee on Economic & Educational Opportunities, Subcommittee on Early Childhood, Youth, and Families. (June 27, 1995). Hearings on the Individuals with Disabilities Education Act.

as related to fiscal accountability requirements under federal special education policy?

3. What should be the role of special education in the education reform movement and *Goals 2000* initiative?

Interviews took place between May 1994 and February 1995. They ranged in time from approximately 20 minutes to 1.5 hours. All but three interviews (that took place in person) were conducted by phone. The interview protocol was as follows: Interviewees were informed of the study, asked if they would participate, and if a time could be scheduled to discuss their views and perceptions of study questions. Based on initial discussions, most interviewees were called at a later time. Questions of interest were given at the onset of the discussion, and an open-ended discussion followed.

Interviewees were assured anonymity and provided a study overview; they were encouraged to go beyond questions posed for the study as relevant, and to add other pertinent issues or options for consideration. Most interviewees also sent additional written materials to augment their verbal responses, and these were also reviewed.

Interviewees represented six states (California, Kentucky, Louisiana, Massachusetts, Missouri, and New York), six national associations or advocacy groups representing children and people with disabilities; five federal officials in the U.S. Department of Education; and five researchers/research groups engaged in scholarly work on special education. Discussions with a minimum of five teachers and school administrators also occurred to provide a practitioner perspective of the IDEA programs and services, particularly as related to the intersection of financial rules and regulations, and integrated services.

Analysis

Documents, statutes, and interviews were analyzed by topical area and arrayed by question. The initial manuscript was reviewed internally and externally. Based on the reviews, additional information was added, secured, or verified; and the document was revised and reviewed.

The methodology used for the study followed general qualitative guidelines (cf., Merriam, 1988). The purpose was to provide perceptions about the federal role in special education from individuals active in the field who interacted with these

issues on a daily basis. As such, the information is not universally generalizable, but represented multiple voices and perspectives from individuals involved with special education and the implementation of the IDEA at a national, state, or local level. The intent was to study "a particular in depth"—(e.g., coordinated programs and funds as related to fiscal accountability under IDEA) not to know what is "generally true" of the many issues related to the Act (Merriam, 1988).

Reliability and validity were enhanced through triangulation (cross referencing) of data sources and maintaining an audit trail—through typed interviews, observation notes from hearings attended, and document referencing. Additionally, follow up interviews and reviews were undertaken to verify information, fill "gaps" and respond to issues raised as they emerged in the field or through interviews.

Interviewees

Pat Anthony, Program Evaluator
Inclusion Project & Associate Professor
University of Massachusetts
Amherst, MA

Kathy Boundy, Executive Director
Center on Law & Education
Cambridge, MA

Beth Bader, Assistant Director
Educational Issues Department
American Federation of Teachers
Washington, DC

Doug Cooper, Consultant
School Based Coordinated Services
California Department of Education
Sacramento, CA

Martha Fields, Director
National Association of State Directors of Special Education
Alexandria, VA

Susan Goins, Branch Manager
Division of Finance
Kentucky Department of Education
Frankfort, KY

John Heskett, Assistant Commissioner
Division of Special Education
Missouri Department of Elementary and Secondary Education
Jefferson City, MO

Julia Landan, Attorney
Massachusetts Advocacy Center
Boston, MA

Marilyn Langley, Deputy Superintendent
Administration and Finance
Louisiana Department of Education
Baton Rouge, LA

Preston Lewis, Branch Manager
Division of Exceptional Children
Kentucky Department of Education
Frankfort, KY

John Mitchell, Associate Director
Office of Special Education Services
Virginia Department of Education
Richmond, VA

Ann Moll, Consultant
Program Development Division
Kentucky Department of Education
Frankfort, KY

Dan O'Brien, Director
Special Education
Kenton County Schools
Kenton County, KY

Andrew S. Rothstein, Superintendent
Henry Viscardi School
Alberton, NY

Judith Schrag, Former Assistant Secretary
Office of Special Education Programs
U.S. Department of Education;
Vice President
VSA Educational Services/Learning Systems Group
Washington, DC

Martha E. (Marty) Snell, Former President
The Association for Persons with Severe Handicaps (TASH);
Professor of Special Education
University of Virginia
Charlottesville, VA

Mary Wagner, Director
National Longitudinal Transition Study
SRI International
Menlo Park, CA

Karen Whiten, Evaluator
U.S. General Accounting Office
Washington, DC

Carol Camp Yeakey, Professor
Educational Leadership and Policy Studies
University of Virginia
Charlottesville, VA

Other Interviewees: Informal and Follow-up

U.S. Department of Education Officials (5)
National Policy Groups (2)
Elementary, Secondary & Special Education Teachers (5)
Principals/Assistant Principals, Superintendents (2)

Appendix B

A Brief History of Federal Aid to Education

Most federal categorical grant programs have been enacted to meet perceived national needs for government services that were unaddressed at state and local levels. The Morrill Act of 1862, establishing land-grant colleges, is considered to be the first categorical aid program in the United States. The Smith Hughes Act (1917), providing for vocational education programs in high schools, was the first categorical program for the schools. Few such programs were enacted until the Great Depression when the federal government, in an effort to restore the national economy, became more involved in many areas that traditionally had been the purview of state and local governments. World War II further contributed to nationalizing tendencies.

In education, the passage of the Elementary and Secondary Education Act (ESEA) in 1965 broke the logjam of nearly 100 years in establishing a large-scale aid to education program from the federal government. The ESEA provided supplementary education assistance to low achieving children residing in low-income areas; it was part of a broader domestic policy agenda to fight the "War on Poverty" and achieve the "Great Society." A categorical approach was adopted to limit federal control to program-specific areas; to target limited aid to a specific needy population group, while bypassing more recalcitrant levels of government that had proved unable (due to limited finances) or unwilling (due to modest political power of numerical minorities and the poor) to meet their needs; and to provide assistance that added to state and local resources for these purposes and did not substitute for them. The ESEA began a new era in federal aid to education; subsequent legislation tended to mirror its focus on a concern for children with special needs—bilingual education (Title VII, 1968), the

Education for All Handicapped Children Act (1975)— or a concern for educational innovation—ESEA, Title III (1965), Goals 2000 (1994).

By one count, the number of federal categorical grants to state and local governments more than doubled between 1962 and 1967; another count estimated a tenfold increase in the number of grants between 1964 and 1971. This prompted proposals for grant consolidation or block grant proposals, which were advocated as a useful strategy for dealing with the problems of the "congested" American intergovernmental grants system. Support for grant consolidation has generally come from two distinct sources: (1) the administrative perspective concerned with public management issues of coordination and efficiency, and (2) a conservative political perspective, in response to perceptions of fiscal and policy centralization and the accompanying decline in state and local autonomy.

As early as 1949, in *The Report to the Congress on Federal-State Relations*, the Hoover Commission called for a system of grants to be established based on broad categories (such as highways, education, public assistance, and public health), "as contrasted with the present system of extensive fragmentation." In response, the Truman administration initiated the first attempt to secure grant consolidation in the fields of public health and welfare, but these proposals never gained congressional approval. The Eisenhower administration was also unable to secure passage of its recommendations for public health and social service grant consolidations (Conlon, 1982, p. 24). In 1953, the Kestenbaum Commission was established to study "the proper role of the Federal Government in relation to the States" and to investigate the operations and boundaries of the federal aid system. After two years of deliberation, the Commission recommended continued use of categorical aid in preference to broad based assistance because only conditional grants were able to effectively stimulate state and local activities. The Commission also found that broad-based grants would increase federal spending and control because they would not meet the needs of specific national goals and would operate in addition to grants for those purposes.

In 1957, the Joint Federal-State Action Committee was established to identify ways of restructuring federal aid. It supported federal functional and tax turnbacks to states in lieu of grant consolidation. It was superseded by the Advisory Commission on Intergovernmental Relations (ACIR), which announced support for block grants in 1967 based largely on concerns with a fragmented conditional aid system, and federal fiscal stress in the face of growing state

collections. Yet, of roughly 20 major block grants advanced between 1965 and 1980, only 5 were enacted (Conlon, 1981).[1]

In education,[2] there have been at least five major attempts to repeal separate categorical programs and merge them into block grants for the states since enactment of the ESEA in 1965. Representative Quie tried once in 1968; President Nixon tried twice in both 1971 and 1973; and President Ford tried once in 1976. In each case proponents were unable to garner sufficient support to enact their proposals due to concerns that the merger would redirect funds and services away from targeted groups, while reducing overall assistance and shifting costs to the states.

In 1981, the Reagan administration, acting to make block grants a principal component of the New Federalism agenda, enacted a scaled-back version of its original proposals for block grants; 77 categorical aid programs were consolidated into 9 new or modified block grants, together with average funding reductions of 25 percent over antecedent program levels. Seven of the consolidations were under the jurisdiction of the Department of Health and Human Services, and one each was under the Departments of Housing and Urban Development and Education (GAO, 1982). In education, 43 categorical school aid programs were merged into a single block grant to the states as Chapter 2 of the Education Consolidation and Improvement Act (ECIA). The ECIA was a significantly scaled-back version of the original administration's proposal. It would have merged e.g., ESEA, Title I, and Special Education into one block grant, but met with stiff opposition and resounding defeat. Further proposals for block grants in education were unsuccessful. Chapter 2 of the ECIA was subsequently recategorized into six broad areas, then recast as Title VI of the ESEA. And, for over a decade, there has been little action on the block grants front in education.

Proposals by the Bush administration for regulatory reform, through conditional waivers approved by the Secretary of Education as part of *America 2000*, failed in Congress. Key issues preventing passage related to funding for private schools

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[1] Partnership for Health Act, 1966 (PHA—renamed Health Incentive Grants for Comprehensive Public Health Services was abolished in 1981), The Law Enforcement Assistance Act, 1968 (LEAA), The Community Development Block Grant, 1974 (CDBG), the Comprehensive Employment and Training Act, 1973 (CETA), and Title XX of the Social Security Act, 1975.

[2] For a discussion see, Verstegen, D. A. (1987). Two-hundred years of federalism: A perspective on national fiscal policy in education. *Journal of Education Finance, 12*(4), 516-548.

and targeting reform to only 535 schools. However, *Goals 2000: Educate America Act*, enacted in the Clinton Administration, provides broad based assistance to states and localities to promote coherent, nationwide, quality education aimed at the achievement of the national education goals for all children and at all schools. "All students" includes children with disabilities, limited-English proficiency, and those from diverse racial and ethnic backgrounds.

Under *Goals 2000* statutory and regulatory waiver authority for six federal programs or Acts specified in the legislation is provided to the Secretary of Education under certain conditions.[3] However, specific regulations may not be waived, including fiscal accountability provisions (maintenance of effort and comparability of services), parental and private school participation, and distribution mechanisms. Both the IDEA and ESEA, Title VII (Bilingual Education) are excluded from waiver authority. Importantly, the *Goals 2000* provides a broad framework for enactment of other federal aid programs for elementary and secondary schools. Key issues include (a) strategies to create coordinated, systemic change and improvement in education aimed at upgraded outcomes and the achievement of the national education goals; and (b) the role of federal, state and local governments in this effort.

The recent ESEA reauthorization, in part, expanded provisions for schoolwide programs, a block grant initiative that provides Title I funds to schools with high levels of poverty to promote overall schoolwide improvement. Like *Goals 2000*, the schoolwide program initiative allows the Secretary of Education broad regulatory waiver authority, for virtually all federal categorical aid programs that school officials wish to merge into the initiative, with the exception of the IDEA. Like the ESEA, another recently enacted program, the School-to-Work Opportunities Act is closely linked to *Goals 2000*. The initiative allows high school students to achieve state education standards and enhance their results in education through work connected education.

Despite these recent relatively limited block grant initiatives, the intergovernmental grants system today, as in the past, is dominated by categorical aid programs.

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[3] Regulatory or statutory authority may be waived (in part) for programs and Acts (1) Chapter 1 of Title I of the ESEA; (2) Part A of Chapter 2 of Title I of the ESEA; (3) The Dwight D. Eisenhower Mathematics and Science Foundation Act; (4) the Emergency Immigrant Education Act of 1984; (5) The Drug-Free Schools and Communities Act; and (6) The Carl D. Perkins Vocational and Applied Technology Education Act.

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